



Adobe Holiday Shopping Forecast

ADOBE DIGITAL INSIGHTS 2021

Methodology

Most comprehensive report of its kind

- The Digital Economy Index is powered by Adobe Analytics, which analyzes 1 trillion visits to retail sites and over 100 million SKUs.
- Global views are based on consumer shopping from over 100 countries across three regions (Americas, APAC, EMEA).
- Companion research is based on two surveys; 1,012+ US consumers (18+ years) , and 400 US retailers (respondents were required to be a decision maker or influencer for their company's marketing and retail strategy (e.g., planning the marketing mix, advertising or promotion, or other aspects of strategy, and the retailer must have annual revenue of over \$500k.) Both fielded between Sept 23 – Oct 1, 2021.
- Adobe Commerce shipping figures include data from 750+ companies, representing over 18.7 million orders.

KEY FINDINGS

Record demand for ecommerce expected to drive holiday spending online to \$207B

- With online spending remaining elevated and demand levels poised to surge, the online retail holiday season is expected to top \$200 billion for the first time.

Shortages expected to persist in the face of elevated seasonal demand — expect some category shortages to be bigger than others

- Out-of-stock notifications have remained high throughout 2021 and will remain a challenge over the season.

Inflationary trends and demand levels are leaving consumers with weaker seasonal discounts

- Sales weekends like Memorial Day and Labor Day are showing weaker discount levels.
- With prices impacted by inflation, for online categories going into holiday season, the total realized savings for consumers are being reduced.
- Early discounting trends will persist, but the strongest discounts will kick in over Thanksgiving week and Cyber Monday.

Curbside utilization levels are up as consumers combat shipping and logistical issues

- Curbside is already at holiday levels and promises to smash through new milestones during last-minute holiday shopping dashes.

BNPL sees popularity reach new heights as support increases

- Buy now, pay later (BNPL) adoption is climbing and being utilized for smaller orders. The usage is expected to grow heavier as the holiday season nears.

Top products and categories that will fuel holiday growth

- Expect toys, electronics, gift cards, and books to help drive growth.

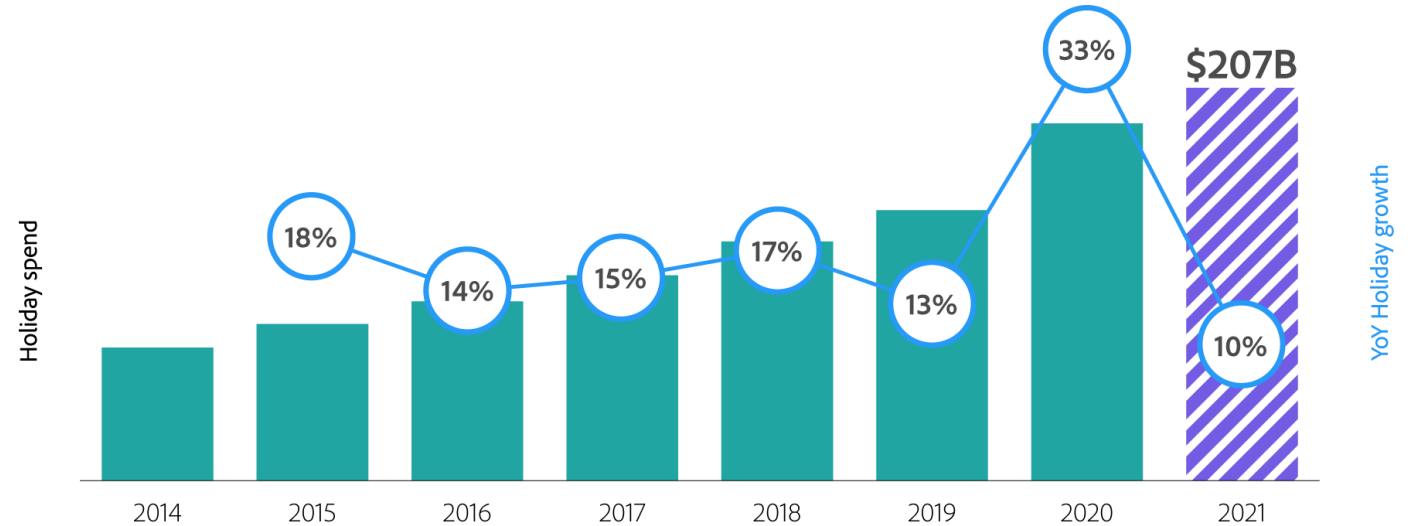
Variability in ecommerce, logistics, cases and economy set up an interesting holiday season.

- The recent months are showing the highest spread in growth we've ever seen. The **difference between September and August 2-year growth is at 22 percentage points** , exactly double the difference of last year (11 percentage points).
- Shipping and logistics issues are ever present, and they're expected to get worse as the holiday volume kicks in. Both retailers and consumers will respond appropriately, but the interaction between their strategies will be the biggest wildcard.

As flu season approaches with the delta variant around, a possible policy response followed by shifts in consumer patterns might lead to higher spend online.

Holiday season has the potential to bring in more than \$200B this year.

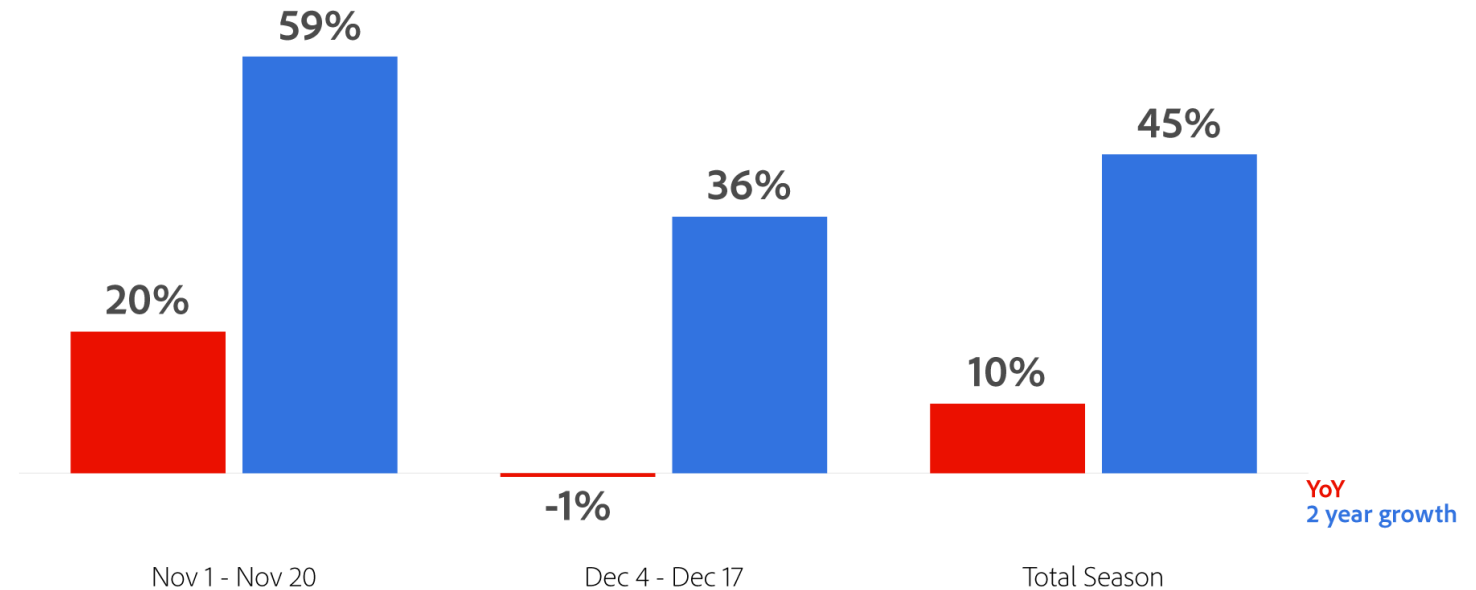
- The season will build on top of the strong growth last year. We predict that the total for the Nov-Dec holiday season will bring in \$207B in online spend.
- With a quickly changing environment, the YoY growth can come in anywhere between 5% (\$198B) and 15% (\$216B), depending on COVID cases, shutdowns, and macroeconomic factors.



Holiday Spend By Year With Average Forecast | US
Source: Adobe Analytics

Spend shifted forward in the season by both consumers and retailers.

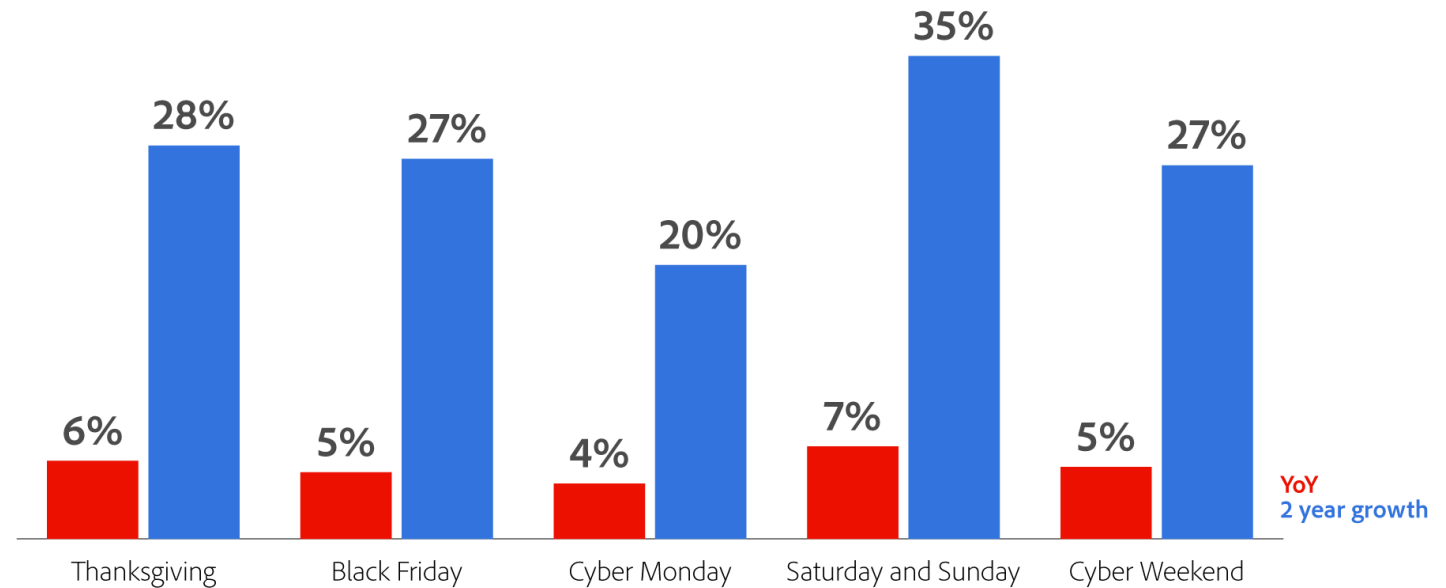
- Retailers will start deals earlier to avoid logistical shipping problems.
- Similar to last year, consumers will respond accordingly by pushing up their shopping.
- Global spend for the holidays is likely to close in around \$910B, with an estimated growth of 11% YOY.
- That would push 2021 over the \$4T mark for the first time (\$4.1T).



Holiday Growth Prediction for Early Season vs. Late | US Retail 2021
Source: Adobe Analytics

Big days grow slower — but they're still the most important.

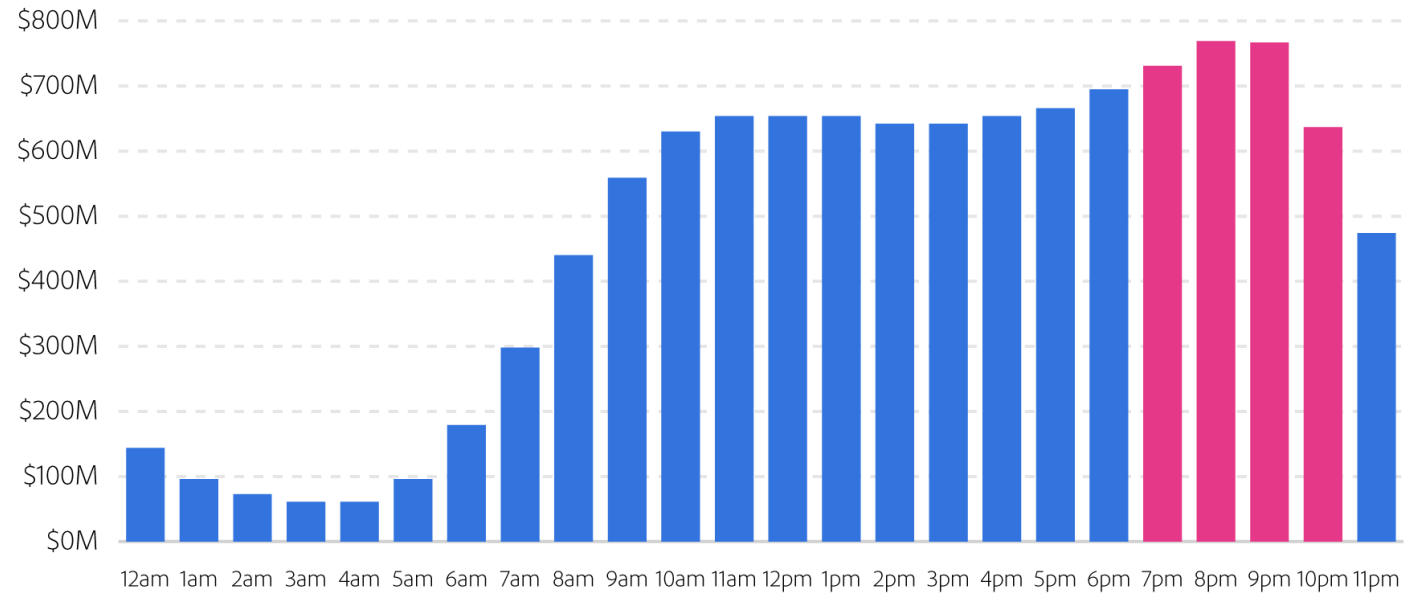
- Cyber Weekend will grow slower than the season, at 5% YoY.
- Still, Cyber Weekend is projected to draw in \$36B, 17% of the whole season.
- Cyber Monday will draw in \$11.3B, Black Friday \$9.5B, and Thanksgiving \$5.4B.
- So far this year, the big days (Memorial Day, Labor Day, and Presidents Day) grew on average 16 percentage points slower in 2-year growth than the 7 days leading up to them.



Holiday Growth Prediction For The Big Days | US Retail 2021
Source: Adobe Analytics

Consumers spend a day's worth during these three Cyber Monday hours (7—11pm PST).

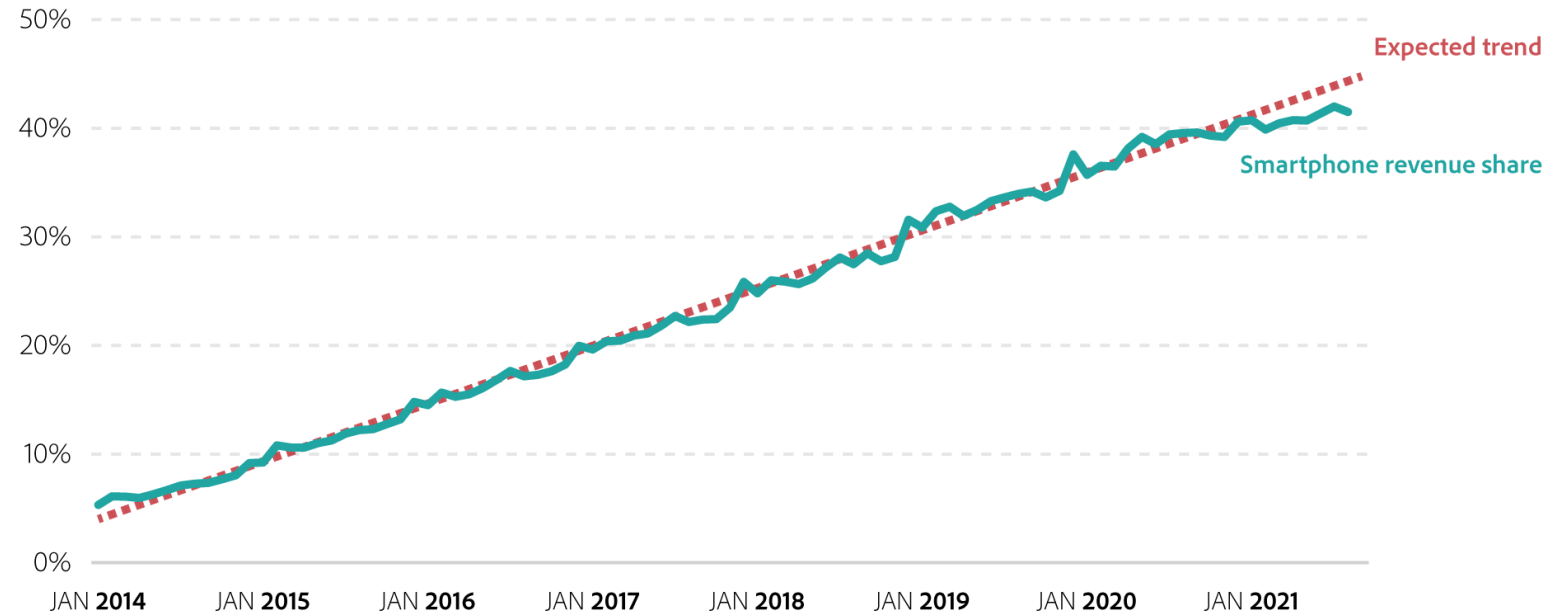
- During the Golden Hours of Ecommerce consumers will spend over \$2.9B, 50% more compared to the \$1.9B spent on an average day in August.
- The spend per minute will surpass \$12M during the peak of 8-9pm Pacific.
- The Golden Hours will bring in over 25% of the day's revenue.



Cyber Monday Spend Prediction by Hour (PT) | US Retail 2021
Source: Adobe Analytics

Shopping on smartphones is hitting a plateau this year.

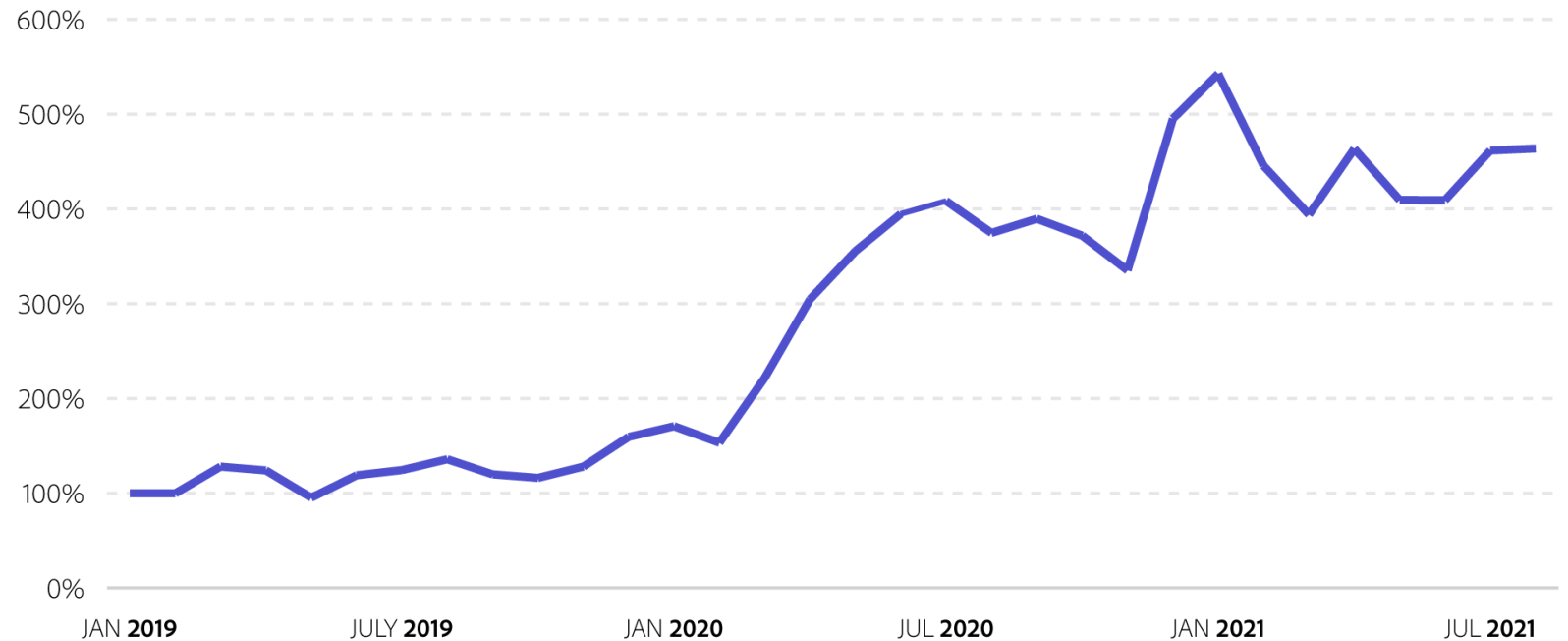
- The consumer shift to using smartphones for shopping online has hit a plateau this year.
- Still, consumers will spend more than \$86B online using their smartphones this holiday season, outgrowing the overall spend at +16.6% YoY.
- The growth in smartphone revenue share will be at a modest +5% this year.



Share of Online Spend on Smartphones | US 2021
Source: Adobe Analytics

Stockouts will continue to be a major issue during holidays.

- Out-of-stock messages are up 172% vs. pre-pandemic period (Jan 2020); and up 360% vs. Jan 2019.
- As consumer demand and shipping networks get into the holiday, this problem is only going to get worse.
- Apparel is showing the highest levels of out-of-stock views out of any category tracked, along with sporting goods, baby and toddler products and electronics.



Out-of-Stock Pageview Trend | US Retail
Source: Adobe Analytics

Consumers will spend 414 thousand years shopping online during the holidays.

- With the amount of online shopping happening, consumers are spending more and more time on this activity.
- On average, a US consumer will spend 12hrs shopping online this season.
- Americans will cumulatively spend 414K years — 3.6B hours! — shopping online this Nov-Dec.



Buy now, pay later is experiencing rapid growth.

- Use of buy now, pay later (BNPL) continues to grow. Consumers are using BNPL for increasingly less expensive orders with the minimum order value of \$225, reflecting a 12% drop from 2020 to 2021.

BNPL orders in 2021 are **44% above** the same period in 2019, and **3% higher** than 2020.

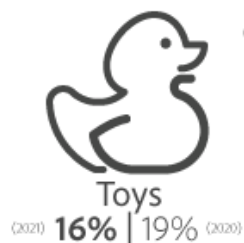
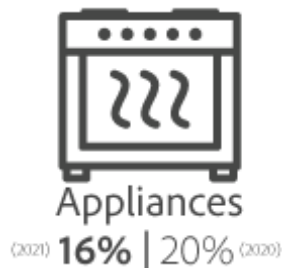
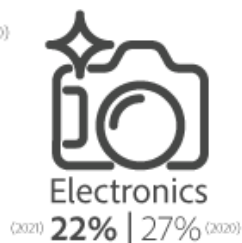


Revenue in 2021 is **45% above** the same period in 2019, and **10% higher** than 2020.

Holiday season discounts expected to be return — but weaker.

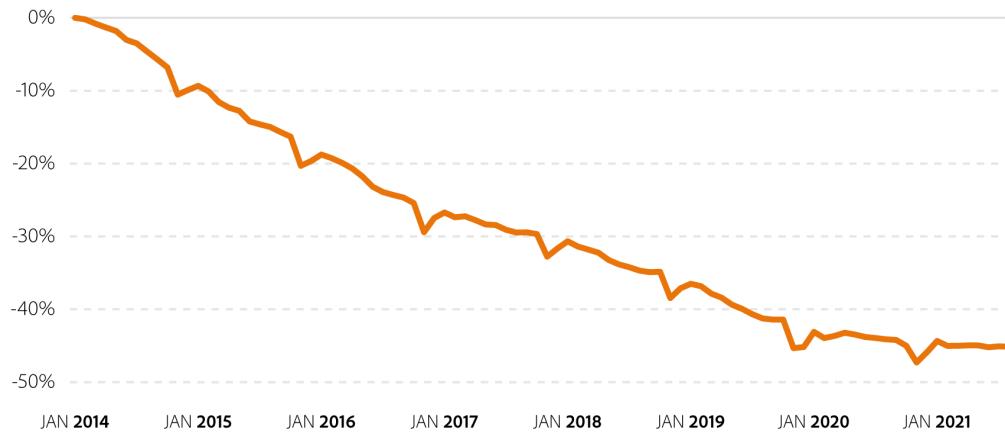
- Discounts over higher-profile sales days have been weaker, in the face of shortages and surging online demand.
- This year, Labor Day and Memorial Day sales saw price drops of approximately 2-7% for categories such as electronics, toys, and furniture and bedding (incrementally smaller than the discounts observed in 2020 and 2019, when prices dropped in the range of 5-11%).
- Given the demand surges expected for the Q4 holiday season, we expect the deepest discounts to drop into the range of 5-25%, notably shallower than strongest discounts that fell to 10-30% (across online categories), in previous years.
- Consumer are expected to pay 9% more during Cyber Week on average, with smaller discounts on top of ecommerce inflation.

Holiday 2021 discount levels are expected to fall as low as:

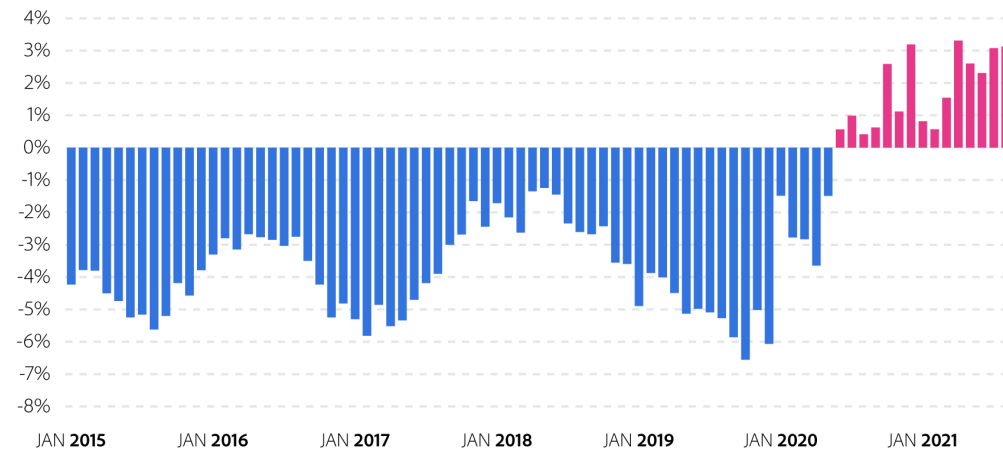


Discounting on inflated prices curbs value for consumers.

- Pre-pandemic, before the holiday season discounts had even started, prices on goods such as electronics typically came down about 10% throughout the course of the year (products worth \$110 in Jan would be worth \$100 by Nov). Overall inflation, for all online categories, was usually down about 5% before the Q4 holiday season had even arrived.
- However, as inflation has been on the rise throughout much of this year, prices have been left at more elevated levels, ramping into the holiday season. Online prices are not rising as quickly as offline; the Consumer Price Index is up 5.4% YoY in September.
- Instead of overall online prices being 5% lower YoY, before seasonal discounts hit, they are up 3.3% YoY. This development reduces the total realized savings consumers can expect to experience on products this year (i.e., instead of consumers getting \$50 off an online spend basket of \$1,000, they're having to pay an additional \$30).



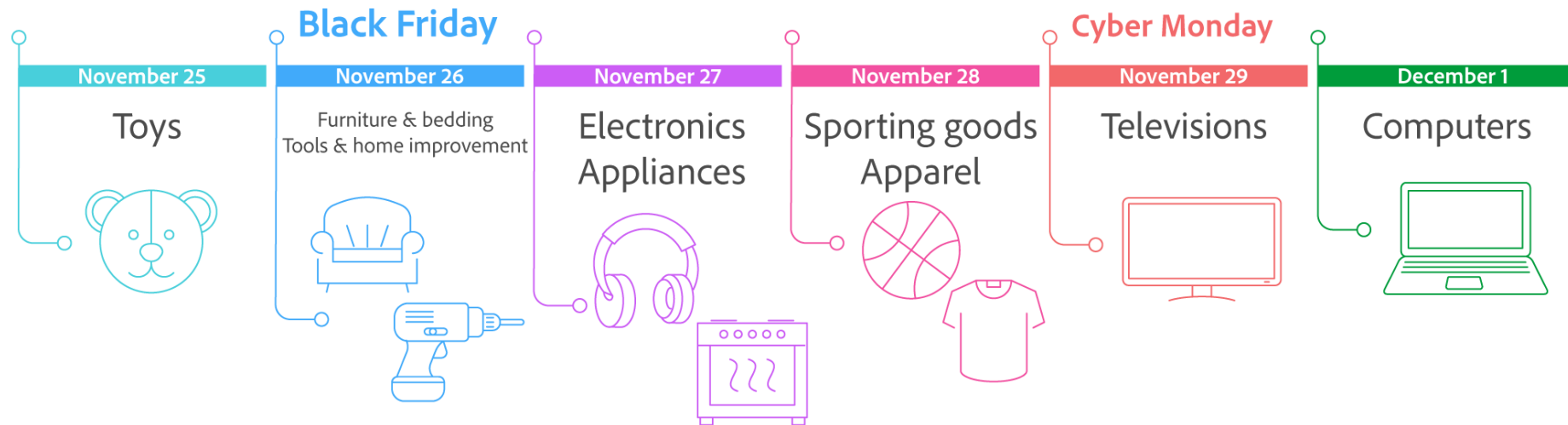
ADOBE DIGITAL INSIGHTS 2021
Electronics Price Trend | Digital Economy Index US
Source: Adobe Analytics



ADOBE DIGITAL INSIGHTS 2021
Year-Over-Year Online Price Change By Month | Digital Economy Index
Source: Adobe Analytics

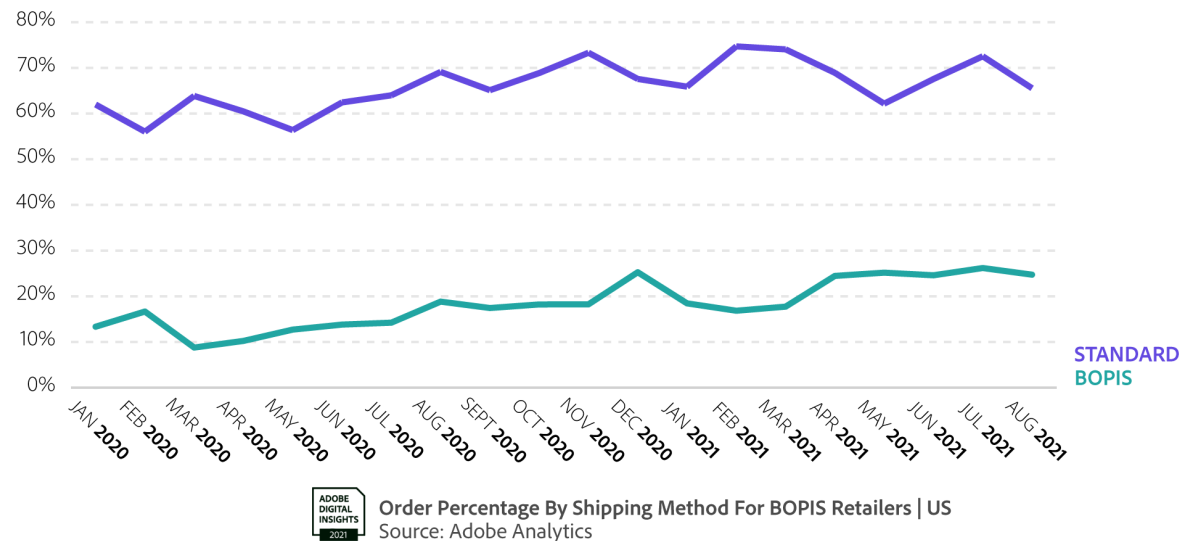
Best times to buy

- Seasonal discounts are expected to begin kicking in as early as October, due to retailers looking to manage another season impacted by COVID-related factors that have persisted (5-15% range).
- However, the absolute best discounts (15-25%), across categories, are expected to fall over Thanksgiving week and Cyber Monday, with prices trending down in the lead-up to that period.
- Consumers have come to expect the strongest discounts over days like Black Friday and Cyber Monday, and retailers have been shown to deliver while also encouraging early seasonal buying.



With The delta variant on the rise, curbside is going to retake the spotlight.

- Curbside pickup in the 2020 holiday season accounted for 1 in 4 online orders in December and 1 in 5 online orders in November.*
- Curbside pickup as a percentage of orders has been reaching toward holiday levels since April.
- Retailers are leveraging curbside pickup to manage shipping challenges and consumers are using it to avoid shipping costs.
- Expect curbside pickup to peak on December 22-23, with the potential to surpass 40% of all online orders.*
- Grocery, apparel, and home improvement categories are major contributors to the BOPIS trend.



Toy and gaming watchlist



Tamagotchi Pix
Pop Fidget
Got2Glow Fairy Finder
Baby Yoda
Gabby's Dollhouse
Bluey
Peek-a-roo Panda
Crystalina
Paw Patrol
Itty Bitty Prettys Tea Party
Squishmallows

Nintendo Switch OLED
PlayStation 5
Xbox Series S/X
Steam Deck
Metroid Dread
Battlefield 2042
Pokemon Brilliant
Diamond/Shining Pearl
Halo Infinite
FIFA 22
Far Cry 6
Call of Duty Vanguard

More holiday hot products

Airpods and AirPods Max
Smart Mug
Instapot
Air Fryers
Smart Water Bottle
Drones
Record Player
Samsung and LG TVs
Weighted Blankets



Most categories spike over the big-five weekend, but a few are last-minute ideas.

- Last year, sales rose slowly up until the week containing Thanksgiving — when they spike for nearly all categories.
- Categories that fill gaps in the wish-list show resilience thru the season:
 - Gifts: They're always in demand up until the last minute.
 - Toys and video games: They enjoy a spike during the 5-day weekend but also continue to sell well.
 - Alcohol shows interest as a last-minute purchase with late December sales higher than big-5 weekend.
- Some things like “housekeeping supplies” and “auto parts” are weaker-selling items during this time.

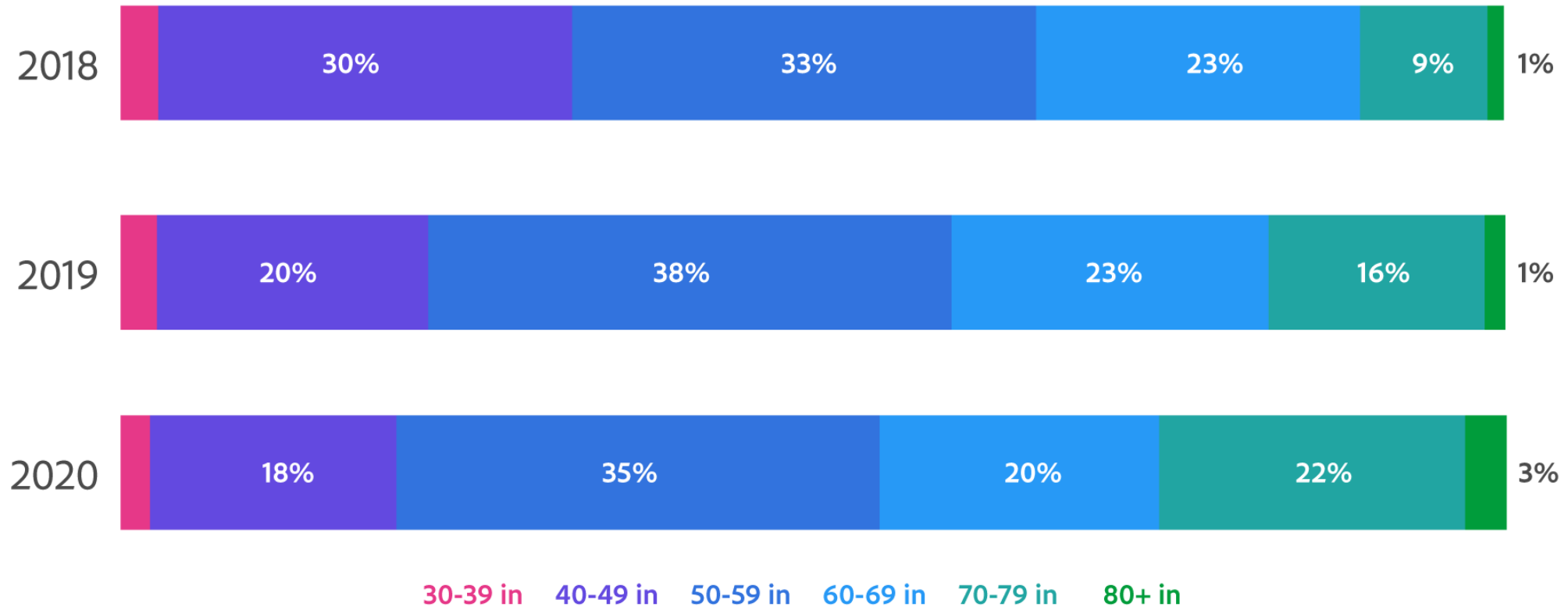


Holiday Season Growth Drivers by Category | US Retail 2020

Source: Adobe Analytics

In streaming era, consumer go BIG with TVs in a bit to create home theater experiences.

- Screen sizes for TVs purchased during the holiday season have shifted, lending more walls adorning 70+ inch displays in 2020.



Share of TVs Purchased during the Holiday Season by Screen Size
Source: Adobe Analytics

*Holiday season defined as Nov 1 – Dec 31

